

1 COMMISSIONER WILHELM: Commissioner Loescher, do you
2 have any questions or comments for Dr. Rose?

3 COMMISSIONER LOESCHER: Yes. Thank you, Mr.
4 Chairman.

5 Dr. Rose, thank you very much. I have a couple of
6 questions. One of the statutory charges of the Commission by the
7 Congress was dealing with the notion that governments, local
8 governments, tribal governments, what would be the possibility or
9 the impacts of alternative businesses, alternative to revenues
10 rather than reliance upon revenues from gaming. Did your charge
11 for your study in any way examine this notion?

12 DR. ROSE: Yes, it did, but somewhat informally. I
13 think the most comprehensive way to approach that would be to
14 take ten sample alternative industries and try to evaluate the
15 impacts of those in a given region. Unfortunately, the time and
16 various other constraints in my study, as Mr. Wilhelm said,
17 didn't allow me to undertake any original research and I was
18 dependent on what other people had done, and nobody had done such
19 a comparative study for any one region.

20 On the other hand, informally, from knowledge of
21 models and methods, and a couple of simple comparisons some
22 studies had made, the indication is that the economic impacts of
23 casino gambling in terms of their size aren't that much different
24 from many other types of new business as long as, again, it can
25 be sort of an export based type of business, either exporting its
26 product and bringing new money in such as an automobile plant, or
27 attracting people from the outside into the area.

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1 So to my mind, for many locations, other than just
2 the convenience gambling type of casino, casinos would appear to
3 be within the normal range of business enterprises in that
4 regard.

5 On the other hand, as far as revenues and tax
6 revenues, I found that casinos, for whatever reason, are taxed at
7 higher rates than are other types of businesses, and so from a
8 purely fiscal standpoint, it would appear that revenues from
9 casinos might in fact be higher than many other businesses.

10 COMMISSIONER LOESCHER: Mr. Chairman. In Dr. Rose's
11 last recommendations to the Commission, you advanced the idea
12 that there should be further examination between Native American
13 gaming and non Native gaming. Could you elaborate the basis for
14 such a recommendation? Because there's no buildup to such a
15 conclusion.

16 DR. ROSE: By that do you mean there's no evidence of
17 any difference between Native American gaming --

18 COMMISSIONER LOESCHER: No. You have not articulated
19 any reason for that.

20 DR. ROSE: Oh, why, any reason for that. My response
21 would be that the conditions are different between the two, and
22 some examples would be in Native American gaming the casinos are
23 owned by a group within the region and many of the profits go to
24 that group; on the other hand, in non Native American gaming,
25 many of the casino operations are owned by people outside the
26 region and many of the profits flow out of the region; so that's
27 one of the many distinctions.

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1 There are differences in regulations of the casinos,
2 differences in the taxation of the casinos, differences in hiring
3 practices, and those are just the ones that come to mind.

4 COMMISSIONER LOESCHER: Mr. Chairman, I just really
5 have to probe a little further. I don't understand why -- I
6 understand the distinctions, that there may differences in
7 operating style and location and whatever, but I don't understand
8 the public policy framework for this inquiry. What are you
9 driving towards with the recommendation? And I understand this
10 is in the context of the casinos.

11 DR. ROSE: Well, I have to admit this probably isn't
12 so much a public policy motivation as perhaps an academic one, to
13 some extent, understanding our world in terms of differences in
14 it, and also the thought that both groups could learn a little
15 more from the experiences of the other. That's all I had in
16 mind.

17 COMMISSIONER WILHELM: I would just point out,
18 Commissioner Loeschler, that, at least as I heard them, a number
19 of the tribal representatives who have testified to the
20 Commission or the Indian Gaming Subcommittee have asserted -- to
21 my way of thinking, accurately have asserted a number of
22 differences in economic impact. In particular, as Dr. Rose
23 pointed out, a number of the tribal representatives who have
24 testified have stressed that the profits stay on the reservation,
25 as distinguished from going to some national corporation or out
26 of town or out of region corporation, and there have been other
27 differences asserted.

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1 So it doesn't seem, to me at least, that the
2 recommendation comes totally out of left field.

3 COMMISSIONER LOESCHER: No, Mr. Chairman, I didn't
4 imply that, I just wanted to understand the basis of the
5 recommendation

6 COMMISSIONER WILHELM: Sure.

7 COMMISSIONER LOESCHER: I just have one more, if I
8 could, Dr. Rose. We held a number of hearings with Native
9 Americans and the psychology of their development, their
10 investment, their governmental authorization is interesting --
11 being that it's a recent phenomena of the development of casinos
12 on Native American tribal lands, versus that of the traditional
13 areas of Nevada, Atlantic City, and even in the Gulf area -- in
14 that the Native Americans think that casino gaming is a passing
15 phenomena, it's something that they're not going to rely on
16 forever, and that they have contingency plans in the event that
17 their business goes south or doesn't develop right. Yet, on the
18 other hand, we see the concept of investment in Nevada and
19 Mississippi and New Jersey as economic development investments
20 that are looked at for the long term.

21 In your study did you detect any kind of thoughts
22 about investors and the regional economies being concerned that
23 gaming in their area might not last, or is it a strong feeling
24 that it would be something that would remain forever in some
25 form?

26 DR. ROSE: Many analysts expressed concern about the
27 long-term viability of casino gambling or gaming, especially
28 concerns about the proliferation of gaming in adjacent states.

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1 There's a lot of concern and actual evidence that one state had
2 gotten on the band wagon early in terms of legalizing casino
3 gambling and a neighboring state had legalized a couple of years
4 after, and the first state just found its business going
5 downhill.

6 There are concerns about people being left holding
7 the bag or over-development, and those are realistic concerns.
8 Again, a good businessman is going to look over the landscape and
9 take a longer term view of the situation, and the fear of
10 overbuilding I think is probably exaggerated.

11 Most casino areas thus far haven't really
12 diversified. I mean, Las Vegas is probably the exception, but
13 most haven't because they haven't really become boom areas just
14 yet; they're getting back to where the profits go. They're more
15 likely to diversify if they're locally owned and the profits wind
16 up going to people who have a stake in the community and will
17 reinvest it.

18 In the case of Native American gaming, just the
19 numbers suggest that a couple of the operations are doing very
20 well and what is going to be done with the profits? Building a
21 second casino on site, doubling the size might work for Foxwoods
22 but it's probably not likely to work for many of the casinos in
23 Wisconsin or Minnesota, and there are a couple of opportunities
24 and one is investing in something else in the local economy that
25 might go, or investing elsewhere.

26 So as some casinos become profitable, there are great
27 opportunities for putting that money into the local area, and
28 again, that's likely to be more the case if it's locally owned.

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1 There are redevelopment funds that are paid into by
2 many casinos throughout the country, and that money is used to
3 establish businesses in the area, and that's a source of
4 diversification. There's some controversy over how successful
5 that has been, for example, in New Jersey.

6 COMMISSIONER WILHELM: Dr. Moore?

7 COMMISSIONER MOORE: Mr. Chairman, do you think that
8 the point that Mr. Loescher brought up about the Indians -- I get
9 the same idea from talking to them and having them appear before
10 us that they are trying to diversify because they think that
11 gaming is going to be a short-term thing with them. But I get
12 the idea that maybe when you ask them questions, you don't always
13 get the answer that you were expecting to get, or may not get one
14 at all.

15 But I have an idea that they're a little worried
16 about their sovereign rights and that the regulatory act that
17 Congress passed in 1988 will always be with them, and I have an
18 idea that they have a fear of perhaps if they're put on equal
19 grounds just because of where their reservation might be in about
20 90 percent of the cases, that it would be hard for them to
21 compete with corporate-owned casinos.

22 Do you see in your studies anywhere about sovereign
23 rights that they will always -- do they think that they will
24 always have these, or are they frightened about these?

25 DR. ROSE: I really can't answer that question;
26 that's not something that I investigated per se. You probably
27 need a legal expert or somebody who has really looked into the
28 attitudes of Native American casino owners. But it does go back

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1 to the point I made before about future studies, and it's
2 probably one more reason to study Native American and non Native
3 American casino experiences, and again, something I failed to
4 mention before, the potential overlap and competition between
5 them.

6 COMMISSIONER MOORE: Originally, you said that you
7 had reviewed about 100 papers and you picked out 27, and these 27
8 that you thought that went with what we were looking at
9 primarily, that was whether gaming was positive or negative.

10 DR. ROSE: Right. Those were 27 that came up with a
11 statement based on a formal model or anecdotal evidence to give a
12 quantitative assessment of what the economic impacts were.

13 COMMISSIONER MOORE: Run through those, I'm talking
14 about just the numbers. You said two were negative?

15 DR. ROSE: Yes. Let me go through these again, and
16 they are mentioned in two parts of the report, one in the
17 bibliography, but Table 1 of the report lists 36 studies and
18 enumerates major characteristics, who the author was, their
19 credentials, where they were published, what biasing assumptions
20 there were, what bottom line impacts, what influenced the
21 impacts.

22 And of those 36, 27 really had some real quantitative
23 impact number. Only two of the 27 came up with negative impacts,
24 and that was Goodman's report and a study done in Florida. Seven
25 of the 27 came up with pretty much neutral impacts, some slightly
26 negative, like \$2 million on a \$1 billion overall sort of revenue
27 base, due to substitution offset effects, but pretty much
28 neutral, slightly negative, slightly positive. Ten were

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1 significantly positive and eight were highly positive, really
2 praising the casinos as being a panacea and being wonderful.

3 I might mention these are studies based on actual
4 historical experience, recent assessments, and they also included
5 some projections or forecasts of operations based on predictive
6 models.

7 And I might say while I didn't use a random number
8 generator, pretty much this is a representative sample of the
9 studies out there.

10 COMMISSIONER WILHELM: Anything else, Doctor?

11 COMMISSIONER MOORE: No, sir.

12 COMMISSIONER WILHELM: Dr. Rose, my particular
13 assignment, when I was appointed to this Commission, has to do
14 with economic impact, and in particular jobs and gaming
15 employees. I could, just from my personal perspective, engage
16 you in conversation for the rest of the day and the evening --
17 and since I understand the lobby is flooded, we probably don't
18 have anything better to do anyway -- but I will try to resist
19 that temptation. But I do have some questions that I would like
20 to put to you.

21 First, I found both your guidelines for future
22 studies, as well as your suggestions for future research to be
23 extremely helpful, and I really appreciate the thought that
24 appears to have gone into those.

25 With respect to the guidelines for future studies,
26 you say, "The following are some guidelines the Commission should
27 set forth for future studies of the economic impacts of casino
28 gambling." I had not thought of the utility until you suggested

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1 it, of including those kinds of guidelines in the Commission's
2 final report, but I do think it would be extremely useful.

3 And I wondered, in the event that the Research
4 Subcommittee of the Commission might come back to you and ask you
5 to help us prepare or flesh out those suggested guidelines, if
6 the committee were to ask, would you be interested or available
7 to help with that?

8 DR. ROSE: Yes, I would.

9 COMMISSIONER WILHELM: Because I think that is a very
10 good idea for the report.

11 Likewise, as I said, I found your recommendations for
12 seven areas of study to be quite useful. With respect to number
13 four, a study of the distribution of impacts across income
14 brackets and racial/ethnic groups, one of the particular
15 interests that I have had -- and you make some reference to this
16 when you're talking about wage levels and benefit levels -- is in
17 the area of what we've called job quality. One of the arguments
18 that I'm sure you're aware goes on between proponents and
19 opponents of casino gambling in new jurisdictions always on the
20 one side the claim is made: these are dead-end, hamburger
21 flipping kind of jobs and so forth and don't really contribute to
22 economic development; and on the other hand, the proponents have
23 the opposite argument.

24 In your view, would a thorough study of the
25 distribution of impacts across income brackets and racial/ethnic
26 groups include issues related to job quality, or is that
27 something separate that we might also consider as an area of
28 research?

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1 DR. ROSE: It could go either way. A real
2 comprehensive study of the distribution of impacts across socio-
3 economic groups would include some intangibles, some broader
4 ramifications, maybe longer term effects, such things. As I
5 mentioned in my study, some of the jobs might not be so high
6 paying, but they do get people off the welfare rolls, they enable
7 them to establish an employment track record, and if they are in
8 fact stepping stone jobs to other industries, or if there are
9 possibilities for advancement within the industry, they shouldn't
10 be criticized as much as they have.

11 So a broader study of the distributional impacts
12 could address that, or it may be just as worthwhile to have a
13 separate study just focusing on the job issue alone -- which is,
14 as you suggest, often a high profile concern these days, a hot
15 button issue.

16 And I failed to say -- and I have this in my notes
17 here for the summary -- there's sufficient data already around to
18 be able to do a quick study within six months to a year on items
19 1, 3, 5 and 7: the bounds on key determinants, national and
20 regional market potential, relative merits of alternative
21 modeling approaches, and maybe how industry and government might
22 cooperate to enhance and more widely distribute the benefits.

23 The distributional impacts might take longer; on the
24 other hand, a study focusing just on the employment benefits and
25 the broader ramifications and types of jobs and job quality
26 issues probably is something that could be done within six
27 months; I think the data are there already. Probably the broader
28 distributional impacts, that would take longer.

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1 COMMISSIONER WILHELM: Do you have any thoughts about
2 what the Commission might be able to do with respect to these
3 recommendations for future studies to stimulate such studies
4 taking place?

5 DR. ROSE: Well, there are three possibilities: one
6 is just to identify these as important areas and hope that
7 somebody in the national interest will pick up on them; it would
8 help to have a congressional endorsement of those, but probably
9 the most important thing would be to establish some funding
10 support for those studies and identify good people to do them.
11 And I would probably encourage you to pick teams of people to do
12 some of these studies or have them scrutinized by a committee to
13 avoid the bias that often filters in if just one person with a
14 particular point of view undertakes the study.

15 The third thing that can be done is to make data that
16 the Commission has obtained more readily available for scholars
17 who might be enticed just to study something, again for the
18 academic merit of it, if they know they don't have to go through
19 a big bureaucracy or dig for months to get the data.

20 COMMISSIONER WILHELM: In that connection -- and I'm
21 sorry he's not here -- Commissioner Richard Leone from New
22 Jersey, who is the only member of our Commission who is an
23 economist by training, has asserted to the Research Subcommittee
24 that, at least in his view, compared to other aspects of
25 economics, that the field of regional economics is a field that
26 has fewer people focused on it perhaps than other areas of
27 economics. Would you agree with that?

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1 DR. ROSE: Yes, I would. It's not as sexy as talking
2 about international finance or international trade issues or even
3 these days environmental economics, so it does have fewer people,
4 but there are many good people out there.

5 And I might say I've been somewhat critical of many
6 of the studies and the reports that have been done on the impacts
7 of casino gambling. Often the top people in the field of
8 regional economics typically have not been involved in these
9 studies.

10 COMMISSIONER WILHELM: Why do you think that would
11 be?

12 DR. ROSE: I think those people are more likely to be
13 neutral on the subject and I think many of the sponsors of the
14 studies simply wanted a certain answer, and it's probably no
15 secret that there are many lesser lights or consulting firms that
16 will give you the answer you want.

17 COMMISSIONER LOESCHER: Mr. Chairman, I've really got
18 to try this one out.

19 COMMISSIONER WILHELM: Go for it, Commissioner.

20 COMMISSIONER LOESCHER: I received one day in the
21 mail a box of studies. You went through 100 but I had like 400
22 studies in this box, and they were from all over the world. I
23 thought to myself: My goodness, looks like we're just
24 reinventing the wheel; but then I said, No, I don't think so.
25 And I came to the conclusion and started hearing about the
26 studies and the concerns about the bias and whatnot of the
27 studies that have been commissioned, let's say, in the last five
28 years or so, and I got to thinking about the criticism that these

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1 studies have this bias because of the sponsor who pays for them
2 and whatnot.

3 Then I got to thinking about how we were
4 commissioning studies here, and we've commissioned a number of
5 studies, as you're aware. But how do you get studies that can
6 survive the criticism of somebody's sponsorship or whatever? We
7 go to the academic community and other places to get research
8 done, and there's a lot of credible people that have been
9 involved in these studies, but now you're recommending a batch of
10 studies going forward, and I'm not quite sure how we're going to
11 get past this criticism of bias going forward.

12 DR. ROSE: Well, as I said before, half the reason
13 for the bias is unintentional, it's having limited resources,
14 limited models, limited data, applying the models too
15 mechanistically so one could say they're being done by amateurs
16 or not the best people. And the other half are the tendency to
17 leave out major factors or to exaggerate one factor.

18 And if a study is done by a good person -- I mean a
19 person who is highly regarded in the field, they're not going to
20 just mechanistically crank up a model and get a result which
21 would often just lead to a bias -- if they're given a check list
22 and told they've got to consider all of these determinants, you
23 can't just leave one out for convenience sake, and if they're
24 given adequate data or access to data, I think you've got a
25 strong likelihood of coming up with a credible study.

26 And I would also encourage what the committee has
27 done before, and that is to approach people who haven't worked
28 for a party at interest in this area before, but who still know

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1 regional economics and the models and methods and issues, and
2 they can be brought up to speed relatively quickly. And I think
3 those factors are all you can do but I think they'll go a long
4 way in getting some credible studies.

5 COMMISSIONER LOESCHER: Mr. Chairman, I struggle
6 with -- and I appreciate what you say, but the confidentiality
7 that I've seen regarding data from this industry almost precludes
8 reliable data being totally available.

9 DR. ROSE: But let me say it's actually not so much
10 data that you need from industry. There's probably only one bit
11 of confidential data you need. There are only three areas of
12 data you need from the industry: one of those is what is the
13 revenue from gambling operations on site; a second one is what is
14 the revenue from ancillary activities such as the bars, hotel
15 shows, and also you throw in lodging, and you also need a count
16 and the types of jobs that the industry generates on site, and
17 that's usually readily available from the industry or the union;
18 and the third thing, and probably the only thing that's a touchy
19 issue is ownership or who receives the profits, and even that is
20 going to be less difficult to obtain because if it's a large
21 corporation that owns the casino, you know that 95 percent of the
22 profits are going to leave the region. I mean, that will do it.
23 Or if it's owned by an Indian tribe that pretty much lives in the
24 local area and they get all the profits, you pretty much know
25 that 95 percent of the profits are going to stay within the
26 region.

27 So even that's getting to be a little less messy. So
28 there isn't that much. You don't need to know, necessarily, how

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1 many tables there are, what the handle per table or per device is
2 and the intricacies of the books, but those three factors really
3 are all you need.

4 Most of the issue of impacts pertains to things
5 beyond the casino: the regional economy and its makeup and who
6 the customers are. And that can be obtained by surveys and
7 questionnaires.

8 COMMISSIONER LOESCHER: Mr. Chairman, I had three
9 points when I started off here. You spoke to one and you got to
10 the second one. One is methodology. One of the things I kind of
11 wonder about -- we have another study going on are at least
12 contemplated to be launched is interviews with casino patrons and
13 whatnot, and we're kind of tied up in our underwear trying to
14 figure out how to deal with this matter. So methodology is a
15 problem too and nobody has ever done this before.

16 And then the last point I had, before you respond, is
17 that I keep thinking about something I do in my business:
18 market, market, market -- and nobody ever discusses that from the
19 consumer viewpoint, and I'm puzzled by that. And I think it
20 bears upon your study too, the regional economic analysis.

21 DR. ROSE: Well, two responses. There have been
22 quite a few studies that have been questionnaires or surveys of
23 customers, and actually the studies are as useful for mistakes
24 they made as they are for their successes. If you're wondering
25 who the patrons are, one study, for instance, of Native American
26 gaming in Wisconsin, just checked license plates of cars, if they
27 were in state or out of state, and they made some assumptions on
28 the number of people per car.

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1 Well, I guess that's a cheap way of doing it, but one
2 of the critics of those studies said it doesn't hurt to actually
3 hand people a questionnaire, and for instance, you're likely to
4 get a different number of people per car out of state than in
5 state; it makes a big difference on whether you're doing this
6 during a weekday or a weekend; and there are just some simple,
7 common sense rules of sampling that can be implemented to do that
8 well, and it's not that difficult. And there are a couple of
9 studies that are probably cited in my report that have done that
10 well; that's not so difficult.

11 Your second point?

12 COMMISSIONER LOESCHER: Market, market, market.

13 DR. ROSE: Market. On the market side, I'm not sure
14 whether you're getting at how broad the market is -- in other
15 words, if you set up a casino all of a sudden in South Carolina,
16 what is the market area going to be. Is that the type of
17 question?

18 COMMISSIONER LOESCHER: No. Mr. Chairman. What I
19 was thinking about was your statement -- and I hope I didn't
20 misunderstand it, but you said that there was a potential for a
21 10 percent growth and expansion in this casino gaming industry,
22 and I'm puzzled about that because you didn't talk about market,
23 market, market. What are your assumptions that give credence to
24 that figure?

25 DR. ROSE: I guess that's taken from looking at other
26 people's assessments, but I noticed, in reading a publication the
27 other day -- this is a 1997 issue of "International Gaming and
28 Wagering Business" -- and I think in terms of the handle, it's

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1 not quite the same as the revenue, that the growth between 1982
2 and 1997 in the handle of casinos over that 15-year period was 10
3 percent per year, not just 10 percent over the next decade. So
4 it's been phenomenal growth, and perhaps my number is low too.

5 But there are probably some legitimate ways to get a
6 handle on that -- no pun intended. I'm not a marketing expert
7 but there are marketing people that can help in that. What a
8 regional economist like myself can do is help delineate what the
9 market area is likely to be for any one casino and get at the
10 competition from other locations. But the totality of it all and
11 perhaps the total volume might better be left to a marketing
12 professor.

13 COMMISSIONER WILHELM: Two other comments, Dr. Rose,
14 and then I have one last question. Just to sort of speculate and
15 perhaps forewarn you, I wouldn't be surprised if the Research
16 Subcommittee asked you, in particular in the near term, to
17 address your thoughts about in your guidelines for future studies
18 number 3, the notion of providing some bounds for estimates of
19 social costs, especially those associated with crime and problem
20 gambling. That's, as you might imagine, a major source of
21 discussion within the Commission and I wouldn't be surprised if
22 the Research Subcommittee asked you for your thoughts on that.

23 Likewise, I wouldn't be surprised, in the same vein,
24 under future research suggestions, number 2, setting bounds for
25 social costs, I wouldn't be surprised if the committee asked you
26 for your thoughts on how such a study might be structured.

27 I also think that it wouldn't be surprising if the
28 subcommittee asked you for a little more explanation -- you made

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1 reference to this in your testimony -- of how it was that you
2 went about adjusting for the biases that exist in most or all of
3 the 27 studies that you mentioned. The committee might ask you
4 for some explanation of how you made those adjustments.

5 The other comment I wanted to make, it's extremely
6 intriguing to me, in reading your report, to note that it is
7 highly consistent with virtually all of the testimony that the
8 Commission has received in its various site visits with respect
9 to the local and regional economic impact of gambling, both
10 gambling that's a couple of decades old in the case of our site
11 visit to Atlantic City, as well as gambling in more recent venues
12 such as the Illinois and Indiana riverboats when we went to
13 Chicago, and on this trip, in particular the Mississippi Gulf
14 Coast and Tunica.

15 We've had testimony from an enormous number of local
16 officials, people from the non-profit sector in many of these
17 areas, people from unions or other employees, and with one
18 exception, I think it's fair to characterize all that testimony
19 as highly consistent and that is that the benefits to the local
20 and regional economy have been positive.

21 The exception is the same one that you note, that no
22 one seems to know how to balance, from an economic perspective,
23 what are referred to as the social costs, and you've identified
24 that as an area that was both beyond your own assignment but also
25 an area that needs a good deal of further research. So I just
26 note, with interest, that your report is extremely consistent
27 with, I think, the overwhelming majority -- if not all -- of the
28 testimony that we've received.

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1 Finally, I would like to ask you one question.
2 There's a lot of discussion in testimony we've had, and between
3 and among the commissioners, about bankruptcy related to
4 gambling. You make the statement on page 17 of your report, you
5 note correctly that: "Many of the estimates of pathological
6 gambling include betting losses and bankruptcies as major
7 components, but these are really simply transfer of payments
8 rather than true costs to society as a whole."

9 I believe I understand what you're saying there and I
10 believe that the statement I just read was intended to be, as I
11 understand it, an economic statement, it wasn't intended to talk
12 about the human costs of bankruptcies and things like that. But
13 I wonder if you could just give a little further explanation to
14 the assertion or the statement that bankruptcies should not be
15 considered as economic costs to society as a whole. Could you
16 just elaborate on that a little bit?

17 DR. ROSE: Economists make an important distinction
18 between what they refer to as a true cost -- often referred to as
19 even a social cost, but it really means an economic cost to
20 society as a whole -- and a transfer. And a true cost is
21 resources actually being used up in the process of something.

22 The terminology typically is undertaken from society-
23 as-a-whole's perspective, so if you burn a gallon of gasoline,
24 the cost is that that gasoline is no longer available, it's just
25 gone. When one gambles and if you lose at the table, yes, it's a
26 loss to you and a cost, but it is a gain to someone else, and
27 there's simply a transfer involved, the money is not burned up,
28 per se, from society's standpoint.

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1 So bankruptcies, in that pure sense, are simply the
2 reflection of the transfer of the draw down of somebody's funds
3 and it has gone elsewhere, and unless the person has lit his
4 cigars with thousand dollar bills, it's simply a transfer and not
5 a true social cost in that sense. And again, I say social:
6 economic cost from the standpoint of society -- that's what I'm
7 getting at.

8 So many of the estimates of the social costs of
9 gambling factor in transfers and they should really look at the
10 social costs, and one example of the social costs is if I go to a
11 casino and I lose \$10,000, there's no social cost, per se, if I
12 do that within an hour of the evening in my leisure time, it's
13 simply a transfer of \$10,000.

14 But if I take the day off from work and fail to
15 produce something valuable to society, then there is a social
16 cost and it's the loss of production, loss of productivity. So
17 when gambling gets to the real problem stage and people lose work
18 time, that part of their activity should be counted, but not
19 simply gambling losses which are just transfers.

20 COMMISSIONER WILHELM: I wish our colleague Dr.
21 Dobson were still here; we could have an extended conversation on
22 this one.

23 Any other questions for Dr. Rose?

24 The upside of our screwed-up situation here this
25 afternoon is compared to our original agenda, I think we had more
26 time to talk to you. I really appreciate your being here and I
27 appreciate your willingness to be available to our Research
28 Subcommittee in the future. Thank you very much.

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DR. ROSE: Thank you, gentlemen.

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